THE COMMUNITY PRESERVATION CORPORATION

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Federal Housing Finance Agency
OHRP Multifamily Housing Policy
400 7th Street, S.W.
Room 9-261
Washington, DC 20024

To Whom It May Concern:

Thank you for the opportunity to comment on proposals being considered by FHFA to reduce Fannie Mae and Freddie Mac multifamily business. We strongly urge that Fannie Mae and Freddie Mac support for small (under $5 million) multifamily loans not be reduced, and also be better tailored to the needs of that important market segment.

CPC is a 501(c)(3) private non-profit mortgage finance company founded in 1974 to address the rehabilitation needs of the distressed multifamily housing stock in low-income neighborhoods in New York City. Today CPC provides construction and permanent financing for affordable multifamily properties across New York State. Over our 38-year history CPC has contributed to the preservation and construction of nearly 157,000 units of affordable housing, initiated numerous downtown revitalizations, and improved the quality and energy efficiency of the multifamily stock. CPC has lent over $8 billion in private and public financing.

CPC's business model relies on the sophisticated housing finance system that exists in New York State – namely, credit enhancement provided by the State of New York Mortgage Agency (SONYMA) and the New York City Housing Development Corporation's Residential Mortgage Insurance Corporation (REMIC), and on investments from State and City pension funds. The housing finance system in New York is also closely tied to the GSEs, which provide the needed liquidity to finance a diverse multifamily stock. CPC has been a Freddie Mac loan originator and servicer for over 20 years, successfully securing approximately $900 million in financing for our borrowers. Over the next five years, CPC expects to originate approximately $75 million in Freddie Mac loans per year, mostly in smaller loans, well below the national average. CPC strongly believes that there should not be a contemplated contraction in GSE multifamily lending.

Given CPC's mission and focus on lending in markets absent traditional capital sources, our primary concern in any reform is that the products offered by the GSE allow for flexible, low cost capital that does reach affordable and low-cost housing. Specifically, CPC's lending has been focused on smaller buildings that need significantly smaller loans than the average GSE multifamily deal. Owners of small properties don't always get the attention of conventional private capital. The average CPC loan size is $2 million for construction, $1 million for non-GSE permanent loans, and $3.7 million for our Freddie Mac deals. In 2011, the average loan size was $9 million for Fannie Mae and $16 million for Freddie Mac. Most renters live in small properties, and these buildings need the benefits provided by low rate GSE capital. In New York State, 53% of the multifamily housing stock is in buildings 5-49 units in size. Serving this market with stable long-term capital is critical to sustaining affordability and securing property conditions.

CPC has the following comments on FHFA's specific proposals:

1. *Loan Terms*
   The availability of longer term debt is particularly important to affordable housing projects, which cannot rely on significant future rent increases. To keep projects affordable in the long-term, developments need predictable debt service. For example, Low-Income Housing Tax Credit (LIHTC) projects have investment periods in which a fixed mortgage is necessary for 18-30 years. Ideally, CPC would like to see the GSEs do more whole loan purchases of longer-term mortgages, with 10-30 year terms. CPC has had great success with this type of investment from the pension funds in NYC and NYS, but capacity is not high enough to meet demand. FHFA should also consider a requirement that securitizations contain a mix of product types, and include a portion of loans for affordable housing.

2. *Variety of Loan Products*
   CPC believes that a variety of loan products are needed to serve the diverse and evolving housing needs in the State and across the country. CPC is particularly interested in seeing the availability of small loan products, for loans sized $1-$5 million. GSE pricing should not penalize smaller loans, as is now often the case, and the process to do small loans needs to be streamlined in order to keep administrative costs down.

   CPC would like to see a return to the acquisition/ rehab loan product that used to be offered by the GSEs. This type of financing allowed for moderate repair scopes that the housing finance system in New York State doesn't currently support. SONYMA requires that 20% of loan proceeds pay for rehabilitation, and the GSEs can play a role in serving buildings with a 10-19% rehab need. This an important segment to serve, as it allows lenders to reach buildings before they slip into distress and become a strain on neighborhoods. When done correctly (and not with speculative purposes) the acquisition/ rehab program is an important tool for community development, and improving the lives of tenants living in low-cost housing.

3. *Limits on Property Financing*
   There should not be any particular prohibition on loan sizes for multifamily properties. In fact, high loan amounts can be used to cross-subsidize securitizations for affordable housing and smaller loans. Rather than pricing individual loans, the GSEs could use this diversity in loan sizes to keep pricing for smaller loans down.

4. *Limits on Business Activity*
   The GSEs role in financing affordable housing, and in providing liquidity to the small loan market, is crucial to ensuring the creation and preservation of affordable housing. It would be detrimental to low-income communities and lower cost buildings to limit GSEs' business activities in these arenas. Furthermore, it is increasingly difficult for smaller lenders to participate in the GSEs programs, namely as a DUS lender, because of "skin in the game requirements". Any reform of the GSEs should leave room for smaller lenders, who play an important role in multifamily housing finance, but often don't have the balance sheet capacity to meet more stringent requirements. A better understanding of the small loan origination process and culture would better allow GSE liquidity and benefits to be shared across properties of all sizes in all communities.

Thank you for the opportunity to offer comments. We appreciate the continued partnership with the GSEs and look forward to working together to ensure their continued effectiveness in the multifamily rental market.

Respectfully Submitted,

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President & CEO
The Community Preservation Corporation